



**Town of Nantucket  
Finance Committee**

**Agenda of the Finance Committee  
Meeting of Tuesday, February 3, 2015  
CPS Cafeteria  
4:30PM**

1. Call to Order.
2. Public Comment.
3. Approval of Minutes from Meetings on January 26, 2015.
4. Committee Reports.
5. Review of Warrant Articles for 2015 Annual Town Meeting.
6. Date of Next Meeting: February 5, 2015.
7. Adjournment.



## Town of Nantucket Finance Committee

[www.nantucket-ma.gov](http://www.nantucket-ma.gov)

**Committee Members:** Matthew T. Mulcahy (Chair), David Worth (Vice-chair), John Tiffany, Christopher J. Kickham, Clifford Williams, James Kelly, Stephen Maury, Craig Sperry, Joseph T. Grause Jr.

### MINUTES

**Monday, January 26, 2015**

4 Fairgrounds Road, Training Room – 4:00 p.m.

Called to order at 4:00 p.m.

Staff in attendance: Brian Turbitt, Director of Finance; Martin Angelov, Assistant Finance Director; Terry Norton, Town Minutes Taker

Attending Members: Mulcahy, Worth, Tiffany, Kickham, Williams, Kelly, Maury, Sperry, Grause

Absent Members: None

Late Arrivals: Kickham 4:09 p.m.

Early Departures: None

Documents used: FY2016 Budget Our Island Home Enterprise Fund; FY2016 Budget Nantucket Memorial Airport Enterprise Fund

#### I. PUBLIC COMMENTS – ANY MEMBER OF THE PUBLIC MAY ADDRESS COMMITTEE AT THIS TIME

None

#### II. APPROVAL OF PRIOR MEETING MINUTES

1. None

#### III. COMMITTEE REPORTS/OTHER BUSINESS

1. Audit Committee – Cancelled; TBA

#### IV. REVIEW OF OUR ISLAND HOME (OIH) ENTERPRISE FUND FY2016 BUDGET

Sitting Mulcahy, Tiffany, Kickham, Williams, Kelly, Maury, Sperry, Grause

Recused Worth

Discussion **Rachel Chretien**, Director OIH – Reviewed an on-going capital project for electronic medical records; this is still working through long-term care related issues and merging of software and could cut down on overtime related to paperwork. There is a warrant for this Annual Town Meeting to reappropriate funding. Summarized the FY2016 budget for \$7.4M which is made up of year-to-year percentage increases salary and medical insurance increases. Said they have taken the contract vendor for a therapist out of a contracted position and moved it into an employee position, which would be a Union position; the expense money would shift from operating to payroll.

**Grause** – Asked about the revenue versus expense. Said it looks like a dramatic decline in revenue is forecasted; this would require a large subsidy from the General Fund as well as use of most of retained earnings.

**Chretien** – Said that she has talked to Town Administration about that. Explained the in FY2014 OIH experienced an issue with revalidation of certification for participation in Mass Health and Medicare services. The revalidation application took so long OIH wasn't able to appropriately bill Medicare. Explained that these delays will impact many different areas of the OIH Budget until at least FY2017.

**Grause** – Asked what the normal census of the facility is and what is the current mix between private patients and Medicaid patients.

**Chretien** – The Medicaid census runs about 55 to 58% of the OIH residents with 2 or 3 people on Medicare; the rest are private patients. Losing one private patient at \$12,000 to \$13,000 month

over 12 months creates a significant impact on anticipated revenue if the census doesn't meet predictions. 42 to 44 beds are usually filled; OIH is currently at 39 beds occupancy.

**Tiffany** – Asked about the projection of revenue for FY2016.

**Chretien** – The revenue built into the budget is probably less than what will actually be brought in at an average of 40 residents. Explained their current rates of private versus double occupancy; they are averaging \$193 a day.

**Tiffany** – Asked if the mix of private and Medicaid/Medicare will remain the same.

**Chretien** – Yes.

**Kelly** – Asked about Neighborhood Health, the medical plan for people signing up.

**Chretien** – OIH can't accept them for long-term care, Neighborhood Health doesn't cover long-term care; we have to convert those patients to Medicare/Medicaid.

**Williams** – Asked if it was true OIH was penalized about \$20 a day per person for not transferring residents from State Medicare/Medicaid.

**Chretien** – It is not a penalty, it is a user fee. They pay OIH \$208 a day; but OIH pays them \$17.58 a day.

**Spery** – Asked how it works with someone covered with private insurance.

**Chretien** – Private insurance concerns are hard to address because OIH can't get contracts with private insurance providers. As an example, Blue Cross/Blue Shield (BC/BS) does not cover any of their clients' stay at OIH. Explained why.

**Grause** – Asked about the P&L showing the subsidy from the Town, as well as a FY2016 transfer from retained earnings for \$1.5M with certified retained earnings at \$1.7M. Asked how does an entity running at a deficit of \$3M annually have any retained earnings and how sustainable it is for OIH to use \$1.5M of its retained earnings, having in mind such a transfer wipes almost everything from retained earnings.

**Chretien** – The only reason we actually have retained earnings is because of the State Medicaid certified public expenditures (CPE); that is an unreliable funding source and can't be built into the budget, as it usually arrives with a two-year delay. With only two facilities able to apply for it; there is fear that the State can stop approving it at any time.

**Turbitt** – Also when setting the tax rate, the revenue source has to be a predictable one for us to be able to budget for it. If added, such an unreliable source will be examined and questioned by the Department of Revenue (DOR).

**Kelly** – On the revenue, asked if the revenue is shown net, less the contractual amount owed to the State.

**Chretien** – Yes.

**Kelly** – Asked if the numbers added from \$1.6M to \$2,800 in the budget document equal \$3.594M.

**Chretien** – That should equal \$3.594 and in addition we have the transfer from retained earnings and the general fund subsidy.

**Mulcahy** – As far as the electronic records capital, asked where the funding is from.

**Chretien** – Had an appropriation that wasn't all used up; it is being re-appropriated at the 2015 ATM for this purpose.

**Mulcahy** – Last year the State allowed 5 years of further use of the present OIH facility; a year has passed by, so now there are 4 years left.

**Chretien** – OIH gets a surprise inspection ever 9-10 months; that last one was in April of 2014 and the window for the next inspection just opened. This year we have the mechanical engineer assessment; heating repair is part of our capital requests as well as other items to keep the building functional; a long-term plan has been solidified. In FY2016, money has been requested for design services on a new OIH facility. There are quality of life issues and the building can't handle the load put upon it any longer.

**Tiffany** – Thinking about timing, there is money in for planning and the actual building for FY2018. This means the earliest expected occupancy might be around 2020. The present facility has to last until then.

**Chretien** – That is why the capital requests are heavy on maintenance. Pointed out that you can't renovate a nursing home with residents in occupancy; they would have to go to another facility.

**Sperry** – Asked what the state would do if at their visit they find OIH has not sufficiently complied with the required improvements to bring the facility up to code.

**Chretien** – The state could shut the facility down if they thought residents' safety is threatened. They can impose a fine, freeze admission, and/or freeze payments. They do realize they would have to work with us on the relocation of the residents.

**Kelly** – Asked what Ms Chretien thought was the risk chance of an admission freeze happening.

**Chretien** – The State has done that in the past. Explained the G-tag which is for actual harm potential; OIH received that last year and they were fined \$2,000. OIH could get building-related fines on life-safety survey, if it indicates immediate potential harm to more than one resident.

**Grause** – If the Town builds a new facility, asked if OIH could ever run at an economic break-even or will it always be a town-subsidized service.

**Chretien** – We would have to add significant amount of beds to run at break even, probably a total of 105 beds. We can't fill the 45 on a regular basis; that would indicate we could struggle to fill 105 beds.

**Anguelov** – The building is pushed out to FY2018 at a cost of \$15M.

**Tiffany** – On the CPE funds, asked how much that was for FY2015.

**Chretien** – About \$1.6M; there is no way to use it until June 30 when FY2015 is closed.

**Tiffany** – To focus back on the present problems, asked if Ms Chretien keeps track of what they are getting versus what they should get.

**Chretien** – She maintains a spreadsheet of what they are paid and updates it every week. She estimates OIH should be paid approximately \$255,000 for FY2016. They will probably get only about \$100,000 due to the whole issue with delays in payments.

**Kickham** – It seems the number of occupied beds is around a 38 and 44; wonders if something is built into the community that maintains that number.

**Chretien** – Homecare is becoming much more popular and acceptable. As the population gets older, the funding from the state and federal is moving more toward home care.

**Kelly** – Nantucket is lucky to have a very cooperative relationship between the hospital and OIH.

#### V. REVIEW OF AIRPORT ENTERPRISE FUND FY2016 BUDGET

Sitting Mulcahy, Worth, Tiffany, Kickham, Williams, Kelly, Maury, Sperry, Grause

Discussion **Tom Rafter**, Manager Nantucket Memorial Airport – Past practices had not allowed them to (4:49) build a reliable budget so there is no history; one of his goals is to build a budget. Explained efforts to rectify that issue. Revenues of \$7.8M and expenses of \$8.7M are forecasted for FY2016 with the plug being an \$828,843 use of retained earnings. No subsidy was used in FY2015 and no subsidy is projected for FY2016; in the budget there is a repayment to the Town included in FY2016. Explained the repayment plan. Suggested that some of the large increases are due to state of repairs that had been deferred over the past few years. Praised Jamie Miller, Business & Finance Manager, and explained a situation she is working on in which the airport computers have been hacked and some files encrypted.

**Mulcahy** – Going back to the repayment; the subsidy was very controversial at a Town Meeting several years ago.

**Rafter** – Have adjusted the Passenger Facility Charge (PFC) to reflect what is actually happening.

**Kelly** – In the past, there were two separate audits between the airport and the town; asked if Mr. Turbitt is comfortable with the accuracy of the information and his oversight.

**Turbitt** – Said he is very satisfied. He knows from the Management Letters of years past what a problem the airport budget was in the past.

**Rafter** – Communication between Finance and the Airport has improved.

**Tiffany** – The PFC shows up at \$647,000 in FY2016; asked for an explanation of the charge.

**Rafter** – It is a fee on every person passing through the airport; Airport keeps 11cents which is designated for capital projects. This is the first year it is shown in the budget.

**Worth** – Asked what is happening with the fuel revolver and if the margin is going up.

**Rafter** – The gallons are flat and price down, he is working to adjust the cap for FY2016 which has been going up. If the cap keeps going up, there would be a lot of money in the fund. The margin is flat; we benchmark against other airports.

**Turbitt** – Annually the Fuel Revolver has to be reauthorized at Town Meeting.

**Williams** – Asked if the airport eliminated the second auditor.

**Rafter** – Yes; Ms Miller and Finance have been doing a lot of the work in house.

**Williams** – Asked if the airport is trending in the right direction.

**Rafter** – The prices of fuel are trending downward but it isn't negatively impacting the airport. He will meet with a number of airlines next week to improve connectivity to national system in the off months and hopefully persuade other seasonal carriers to expand their shoulder season.

**Williams** – Asked if the FAA requires smaller airports to run a flight if no one is on it to maintain the schedule.

**Rafter** – That was the CAB which required that. You have to get approval to fly out and you should fly if you get approval. If the small airlines are scheduled 5 flights a day, they might fly 15 but they have to run at the very least those 5 scheduled flights.

**Kickham** – Asked if the airport has flexibility for raising landing fees.

**Rafter** – Yes; the Airport Commission is going through a review of increasing rates and fees and looking to put out a request for proposal for land on Sun Island Road.

**Tiffany** – As he interprets the budget in relation to FY2015, the proposed increases are all over, but actuals look stable.

**Rafter** – Have added line items and moved items into their proper location.

**Worth** – Asked what is the ratio between the private and public take offs.

**Rafter** – He would have to look that up.

**Worth** – there is an opinion that our airport is increasingly private and growth in traffic is on the private side. Asked if those users are paying in proportion to their number of take-offs and how that impacts the airport.

**Rafter** – They are focusing on that as 70% of the revenue comes from corporate and 50% of expenses come from commercial. Looking at creating a fee structure based upon size of the airplane. Their goal is to protect year-round service for island residents.

**Kelly** – It was previously stated there is a problem with planes fueling up in Hyannis and staying there because the price and availability of hotel rooms. Stated the he assumes our fuel prices are competitive.

**Kickham** – The sooner something gets in place for private users the better. Asked if there is an equivalent PFC for general aviation.

**Rafter** – No.

**Tiffany** – Capital goes up about 3.8% over the next few years, which increases debt service about \$130,000 a year. Looking at total expenses over the last years, it has been going up, which comes out to about 5% a year. Asked if that is a trend and if it continues, where will the revenue come from?

**Rafter** – That trend is not as Mr. Tiffany described. They are keeping a very close eye on actuals of the revenues and expenses. He is looking at diversification for land and rate increases. Controlling expenses is critical.

**Turbitt** – A lot of that capital is off-set by a grant so the net is not such a big number.

**Williams** – Asked for clarification on landing fees in regards to say a Cessna 150 versus a G5 jet.

**Rafter** – A Cessna 150 would pay \$10; if the G5 weighs ten times as much, they should be paying \$100. The large aircraft puts more weight on the taxi system and takes up space.

**Williams** – He has noted that there is a demand for renting smaller lots for a fee that isn't too excessive and is affordable.

**Rafter** – They are required to charge no less than market value. Bunker Road has challenges as it was formerly used as a defense site. The Army Corps of Engineers (ACE) is coming in to specify what items must be moved; two tenants will have to be relocated. As a result, they will take a small hit on the revenue side. The land will remain unoccupied until the ACE finishes its examination. We have to do work on the MCD due to environmental issues. We have 5 acres commercial/industrial land on Sun Island Road.

**Williams** – Asked for the direction of the overall plan.

**Rafter** – In the master plan, it shows extension of south apron; main focus of capital is ramp rehabilitation.

**Tiffany** – Asked what the actuals are for FY2015.

**Turbitt** – It is available but the BOS should first review it before disseminating that information.

**Rafter** – Revenue is up significantly and expense up just slightly.

**Sperry** – Asked if anything is happening with the solar energy project.

**Rafter** – Explained the Carbon Neutral Program and that the solar project was part of that. The solar element location would have to be definitively identified and might have to be mitigated up to a ratio of 3:1 under Massachusetts Natural Heritage. That cost becomes skewed and throws off the calculation making it not viable. He is working closely with the State to do something about the mitigation issue. The Carbon Neutral Program is still in the warrant as a place holder under advice from Town Counsel.

**Sperry** – Asked about public beach access along the fence.

**Rafter** – It can be done without relocating the fence; moving the fence is an issue. Everything inside the fence is considered FAA land and we would need their permission.

**Mulcahy** – That article will come up in February during the zoning warrant article discussions.

**Kickham** – As far as parking, cars are still not allowed to park in the front section; asked if that was a federal requirement.

**Rafter** – No, they have done a review on that and are looking at changing the entire structure.

**Kickham** – Asked where the charge for over-night parking goes.

**Rafter** – He doesn't know. The security head will have to review that. They are looking to charge parking more the way Hyannis Airport does it.

**Williams** – Noted the Hyannis Airport solar project and asked how they got away with mitigation issues.

**Rafter** – Hyannis didn't have the species issues Nantucket does.

**Kelly** – Asked about maintenance of the parking gates; there have been issues with gates not working properly.

**Rafter** – That system cost \$350,000. Stated he is not happy with it. He has pricing from another manufacturer to replace all the equipment and from a company to operate the parking. He is not satisfied with the cooperation of the manufacturer. He is trying to get a cost from the manufacturer who is requiring a maintenance agreement that cost \$35,000 a year.

**Tiffany** – Until he sees the first 6-month actuals, he has no questions; when he sees that he might have questions.

**Mulcahy** – Asked about the Master Plan.

**Rafter** – They are in the final phases of the creating the Master Plan and have a draft Airport Lay-out Plan; a project must be on this to get federal funding.

**Mulcahy** – Asked if the biggest percentage of capital is for the ramp.

**Rafter** – Yes.

**Worth** – Thought one of the offset items was the FAA property in Madaket. Asked if that could be used for mitigation of costs related to the airport solar array.

**Rafter** – Said he approached the Nantucket Islands Land Bank and they would be willing to work with the Airport but the ratio is too high. That FAA land is not just airport but island wide.

## VI. SUBCOMMITTEE DISCUSSION

**Maury** – Asked if FinCom has a charge from the Board of Selectmen yet.

**Mulcahy** – No.

**Kelly** – As someone who wants to participate, he wants to know the charge.

**Mulcahy** – Is keeping this on the agenda so that when the charge is sent out, it can be discussed.

**Worth** – Is concerned with this committee jamming itself up against the Town Meeting.

The committee is ready to form tonight.

**Mulcahy** – Asked about membership; he was thinking 4 members.

**Worth** – Asked if the committee would be working in open meeting law.

**Mulcahy** – Yes.

**Grause** – Asked under what conditions a committee can work in executive session.

**Mulcahy** – Suggested starting in open session; if some things need to be done in executive session then that would be scheduled. The members would be four and the parameters are pensions.

**Members interested:** Sperry, Grause, Williams.

**Mulcahy** – Suggested scheduling a meeting at 3 p.m. on Thursday Jan. 29. He will be there but not as part of the subcommittee.

## VII. NEXT MEETING DATE/ADJOURNMENT

1. Discussion about whether or not to cancel the Tuesday meeting. Keeping it scheduled. Town Offices closed January 27. Tuesday, January 27, 2015; CANCELLED
2. Discussion about what the employee pays to BCRS versus what the Town pays. Mr. Turbitt will send the information, cleared of personal information, to the commissioner.  
Date: Thursday, January 29, 2015 4 p.m.

Adjourned 5:56 p.m.

Submitted by:

Terry L. Norton